

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings**

December 31, 2014 and 2013

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	4 - 7
Management's Discussion and Analysis	8 - 13
	<u>Exhibit</u>
Basic Financial Statements:	
Statements of Net Position - Proprietary Funds	A 15
Statements of Revenues, Expenses And Changes in Fund Net Position - Proprietary Funds	B 16 - 18
Statements of Cash Flows - Proprietary Funds	C 19 - 21
Notes to Financial Statements	23 - 34
Other Information:	
Budgetary Comparison Schedule of Revenues, Expenses and Changes in Fund Net Position - Budget and Actual (Cash Basis)	
- Proprietary Funds	36 - 37
Notes to Other Information - Budgetary Reporting	38
	<u>Schedule</u>
Supplementary Information:	
Operating Expenses	1 40
Capital Assets and Accumulated Depreciation	2 41 - 42
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	44 - 46
Schedule of Findings	47 - 48

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dean Hoffmann	Chairperson	11/4/2019
Marsha Clausen	Vice-Chairperson	11/4/2018
Kirk Huehn	Secretary	11/4/2016
Jean Hargens	Board Member	11/4/2020
Aaron Stangl	Board Member	11/4/2017
Keith Kelderman	Board Member	Deceased
Kent Hilsabeck	Interim General Manager	Indefinite

MUXFELDT **ASSOCIATES, CPA, P.C.**

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

Lonnie G. Muxfeldt

Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

March 5, 2015

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility

Report on the Financial Statements

I have audited the accompanying financial statements of the Manning Municipal Communications and Television System Utility (a Municipal Utility) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Utility's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles described in Note 1. This includes determining the accrual basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

March 5, 2015
Manning Municipal Communications
and Television System Utility
Independent Auditor's Report

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with U.S. generally accepted auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Utility's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Utility's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Manning Municipal Communications and Television System Utility as of December 31, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles described in Note 1.

March 5, 2015
Manning Municipal Communications
and Television System Utility
Independent Auditor's Report

Basis of Accounting

As described in Note 1, these financial statements were prepared in conformity with U.S. generally accepted accounting principles.

Other Matters

Supplementary and Other Information

As described in Note 1, the financial statements are intended to present the financial position and results of operations and cash flows of only that portion of the financial reporting entity of the City of Manning, Iowa, that is attributable to the transactions of the Manning Municipal Communications and Television System Utility.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Manning Municipal Communications and Television System Utility's basic financial statements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In my opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 5, 2015
Manning Municipal Communications
and Television System Utility
Independent Auditor's Report

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 8 through 13 and 36 through 38 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 5, 2015 on my consideration of Manning Municipal Communications and Television System Utility's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Manning Municipal Communications and Television System Utility's internal control over financial reporting and compliance.

 M. J. Plott Associates, CPA, P.C.

Management's Discussion and Analysis

Manning Municipal Communication and Television System Utility provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended December 31, 2014. We encourage readers to consider this information in conjunction with the Utility's financial statements, which follow.

2014 Financial Highlights

Total revenues of the Utility's activities decreased 0.6%, or \$5,117, from 2013 to 2014.

Total expenses increased 5%, or \$42,084, from 2013 to 2014.

The Utility's deficit of business type activities increased by 16%, or \$78,529, from 2013 to 2014.

Using This Annual Report

This annual report consists of a series of financial and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Utility's financial activities.

Financial Statements consist of a Statement of Net Position - Proprietary Funds, and a Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds and a Statement of Cash Flows - Proprietary Funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the Utility's budget for the year.

Supplementary Information provides comparative financial data with the prior year.

Basis of Accounting

The Utility maintains its financial records on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles and presents financial position and results of operations on that basis. The accrual basis of accounting recognizes revenue when earned and expenses when incurred irrespective of the timing of the related cash flows.

Reporting the Utility's Financial Activities

Basic Financial Statements

One of the most important questions asked about the Utility's finances is, "Is the Utility as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used in most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all the Utility's assets and liabilities, with the difference between the two reported as "fund net position". Over time, increases or decreases in the Utility's fund net position may serve as a useful indicator of whether the financial position of the Utility is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Fund Net Position presents information showing how the Utility's net position changed during the most recent year. All changes in net position are reported when the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods.

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report the following activity:

Business type activities including the cable utility, telephone utility and internet utility. These activities are financed primarily by user charges.

Fund Financial Statements

The Utility has one fund:

Proprietary funds account for the Utility's Enterprise Funds. These funds report services for which the Utility charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Enterprise Funds include the cable utility, telephone utility and internet utility, collectively considered to be a major fund of the Utility. The Utility is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net position, a statement of revenues, expenses, and changes in fund net position and a statement of cash flows.

Basic Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the change in the net position for business type activities.

Statements of Net Position December 31, 2014 and 2013

Business Type Activities - Enterprise Funds

	<u>Year Ended</u>	
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 98,593	\$ 253,000
Capital assets	167,592	103,446
Total assets	<u>\$ 266,185</u>	<u>\$ 356,446</u>
Long-term liabilities	\$ 735,000	\$ 735,000
Other liabilities	86,205	97,937
Total liabilities	<u>\$ 821,205</u>	<u>\$ 832,937</u>
Net position:		
Net investment in capital assets	\$ -0-	\$ -0-
Restricted	7,332	6,532
Unrestricted	(562,352)	(483,023)
Total net position	<u>\$ (555,020)</u>	<u>\$ (476,491)</u>

Deficit net position of business type activities increased \$79,529 from approximately \$476,000 to \$555,000 from the prior year. Unrestricted net position had a deficit of \$562,352, an increase of 16%, at the end of the year. Unrestricted net position can be used to finance day to day operations without constraints established by debt covenants, legislation or other legal requirements. Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The net investment in capital assets (e.g. land, infrastructure, buildings, and equipment) is shown as zero because the debt exceeds book value. The related debt is larger than the net investment in capital assets due to the fact that principal payments have not been made regularly on the debt, while depreciation continues to accumulate as fixed assets are depreciated over time. If the net investment in capital assets were shown as a negative number, the unrestricted fund net position would be materially overstated. Accumulated net operating losses over the years caused deficit net position as of December 31, 2014 and 2013.

Changes in Net Position for the Years Ended December 31, 2014 and 2013

Business Type Activities - Enterprise Funds

	<u>2014</u>	<u>2013</u>
Revenues:		
Charges for Services	\$ 748,314	\$ 767,866
Service & Reconnect Charges	11,123	12,926
Advertising Fees	5,850	5,017
Miscellaneous Fees	15,906	2,599
Signal Charges	9,998	7,550
Headend Rent	3,364	3,250
Total Revenues	<u>794,555</u>	<u>799,208</u>
Operating Expenses:		
Production	420,898	368,899
Rent	176,849	176,849
Depreciation	35,614	31,778
Administrative and General	228,971	238,591
Total Operating Expenses	<u>862,332</u>	<u>816,117</u>
Net Operating Income	(67,777)	(16,909)
Non Operating Revenue (Expenses):		
Interest Income	273	737
Interest Expense	(11,025)	(15,156)
Total Non Operating Rev (Exp)	<u>(10,752)</u>	<u>(14,419)</u>
Increase (Decrease) in Net Position	(78,529)	(31,328)

Net Position, Beginning of Year	(476,491)	(445,163)
Net Position, End of Year	\$ (555,020)	\$ (476,491)

Capital Assets

The Utility's capital assets include land, buildings and improvements, equipment, and other infrastructure. Capital assets for the business type activity totaled \$167,592 (net of accumulated depreciation) at December 31, 2014. The Utility made general, internet and telephone improvements at a cost of \$99,760 and recorded depreciation of \$35,614.

<u>Capital Assets at Year End</u>		
	<u>2014</u>	<u>2013</u>
Headhouse	\$ 62,792	\$ 61,972
Distribution	52,678	52,678
General	88,899	50,837
Internet	177,773	144,680
Telephone	869,733	841,948
Total	<u>1,251,875</u>	<u>1,152,115</u>
Less: Accumulated Depreciation	<u>(1,084,283)</u>	<u>(1,048,669)</u>
Net Capital Assets	\$ <u>167,592</u>	\$ <u>103,446</u>

Debt Administration

The Utility had \$735,000 in total long-term debt outstanding for the business type activity as shown below.

	<u>12/31/14</u>	<u>12/31/13</u>
Note Payable -		
Manning Municipal Light Plant	\$ 235,000	\$ 235,000
Note Payable -		
Manning Municipal Gas Dept	500,000	500,000
Total	\$ <u>735,000</u>	\$ <u>735,000</u>

Economic Factors Bearing on the Communication Utility's Future

The telecommunications industry has been making huge shifts from phone service to internet services. Society is reliant on internet connections for most all forms of communication now. Landlines are no longer requested as many use cellular devices for most if not all telephony service. The way Cable TV is watched is also changing and the networks took notice of this trend and imposed large retransmission rate hikes for the 2015-2017 contracts. Networks realize that the industry is changing from a Cable TV market to an internet market. Due to companies like Netflix, Hulu and TV on Demand, customers are now watching TV through internet connections. HD channels have also played a part in all this as it is expensive for companies to purchase the equipment required to broadcast HD but demand for it has made it impossible for Cable TV companies like MMCTSU to not offer it.

MMCTSU has been diligently working to meet the needs and demands for higher broadband packages to all MMCTSU residential and business customers. In 2014, MMCTSU upgraded the current internet system. Due to these significant improvements and abilities to offer more broadband, MMCTSU will be rolling out new internet packages in 2015 that will more than double the bandwidth offered in the current high speed internet packages.

In 2014, MMCTSU negotiated the 2015-2017 retransmission agreements with all Off-Air channels. Networks demanded rate increases of over 100%. With these huge price hikes, MMCTSU elected to drop a non-DMA duplicate station and was forced to raise Basic Extended Cable TV rates. In addition to the significant network hikes for the "right" to view their content, MMCTSU also dropped signal contracts with Scranton as they decided to receive all TV signal from Iowa Network Services instead of broadcasting privately. With this change, MMCTSU also had to move and purchase receivers to put on the Templeton tower in Order to continue broadcasting specific channels in the lineup. These costs, all had significant impacts on MMCTSU profits. MMCTSU's efforts to maintain cost effective rates in light of increasing costs to maintain the utility is a continuous struggle.

Contacting the Communication Utility's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Communication Utility's finances and operating activities. If you have questions about this report or need additional financial information, contact Beth Swearingen at Manning Municipal Communications and Television System Utility, 719 Third Street, Manning, Iowa 51455.

BASIC FINANCIAL STATEMENTS

Exhibit A**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Statements of Net Position
- Proprietary Funds
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$ 28,160	\$ 172,502
Restricted Cash - Customer Deposits	7,332	6,532
Accounts Receivable - Customers - net of allowance	24,138	29,929
Accounts Receivable - Carrier Access Fees - net	7,528	11,664
Accounts Receivable - Miscellaneous	5,515	8,591
Inventory	19,043	19,339
Prepaid Expenses	6,877	4,443
Capital Assets (Net of Accumulated Depreciation)	167,592	103,446
Total Assets	\$ <u>266,185</u>	\$ <u>356,446</u>
Liabilities		
Accounts Payable - Operating	\$ 29,022	\$ 28,954
Deferred Income	28,713	28,395
Customer Deposits Payable	7,332	6,532
Accrued Wages and PTO Payable	7,775	7,099
Other Taxes Payable	-0-	8,593
Accrued Interest Payable	11,025	15,156
Real Estate Taxes Payable	2,338	3,208
Notes Payable (payable after one year)	735,000	735,000
Total Liabilities	<u>821,205</u>	<u>832,937</u>
Net Position		
Net Investment in Capital Assets	-0-	-0-
Restricted for:		
Customer Deposits	7,332	6,532
Unrestricted (Deficit)	<u>(562,352)</u>	<u>(483,023)</u>
Total Net Position (Deficit)	<u>(555,020)</u>	<u>(476,491)</u>
Total Liabilities and Net Position	\$ <u>266,185</u>	\$ <u>356,446</u>

See accompanying notes to financial statements

Exhibit B**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues - Cable		
Basic TV	\$ 294,957	\$ 288,076
Movie Packages	12,559	14,106
TIVO	2,745	2,593
	<u>310,261</u>	<u>304,775</u>
Cost of Sales - Cable		
Signal charges	<u>240,617</u>	<u>205,633</u>
Net Operating Revenues - Cable	69,644	99,142
Operating Revenues - Telephone		
Local Access	136,479	139,674
Local Tolls	23,786	25,773
Carrier Access Fees	63,492	75,997
USAC Revenue	973	1,090
Calling Features	16,472	17,825
Cell Phones and Accessories	54	-0-
	<u>241,256</u>	<u>260,359</u>
Cost of Sales - Telephone		
Long Distance Switching Fees	56,937	33,153
Switching Fees - Templeton	55,000	55,000
Carrier Access Fees	9,454	9,912
Local Billing Fees	3,370	3,459
Subscriber Services	4,556	7,008
	<u>129,317</u>	<u>108,532</u>
Net Operating Revenues - Telephone	111,939	151,827

See accompanying notes to financial statements

Exhibit B
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Revenues - Internet		
Unlimited Service	\$ 299	\$ 299
Ten Hour Plan	143	143
Cable Modem Income	168,493	166,851
Other Fees	9,217	10,166
Wireless Internet	18,645	21,993
Ethernet Income	-0-	3,280
	<u>196,797</u>	<u>202,732</u>
 Cost of Sales - Internet		
Internet Expenses	<u>50,964</u>	<u>54,734</u>
 Net Operating Revenues - Internet	 145,833	 147,998
 Other Operating Revenues		
Advertising Fees	5,850	5,017
Miscellaneous	15,906	2,599
Hookup Fees	840	665
Reconnect Charges	1,943	2,156
Service Charges	8,340	10,105
Signal charges - Templeton & Scranton	9,998	7,550
Headend Rent	3,364	3,250
Total Other Operating Revenues	<u>46,241</u>	<u>31,342</u>
 Net Operating Revenues Before Expenses	 373,657	 430,309
 Operating Expenses (Schedule 1)	 <u>441,434</u>	 <u>447,218</u>
 Net Operating Income (Loss)	 (67,777)	 (16,909)

See accompanying notes to financial statements

Exhibit B
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Revenues, Expenses
And Changes in Fund Net Position
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

	<u>2014</u>		<u>2013</u>
Net Operating Income (loss)	\$ (67,777)	\$	(16,909)
Non-Operating Revenues (Expenses)			
Interest Income	273		737
Interest Expense	<u>(11,025)</u>		<u>(15,156)</u>
Total Non-operating Revenues (Expenses)	<u>(14,419)</u>		<u>(14,419)</u>
Change in Net Position	(78,529)		(31,328)
Net Position, Beginning (Deficit)	<u>(476,491)</u>		<u>(445,163)</u>
Net Position, Ending (Deficit)	\$ <u>(555,020)</u>	\$	<u>(476,491)</u>

See accompanying notes to financial statements

Exhibit C**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

	<u>Cable</u>	<u>Telephone</u>
Cash Flows from Operating Activities:		
Cash Received from Customers and Users	\$ 313,107	\$ 242,454
Cash Received from Other Revenues	29,969	20,981
Cash Paid to Suppliers	(240,036)	(126,249)
Cash Paid for Personal Services	(175,831)	(98,103)
Cash Paid to Employees	(29,343)	(28,073)
Net Cash Provided by Operating Activities	(102,134)	11,010
Cash Flows from Noncapital Financing Activities:		
Change in Customer Deposits	267	266
Net Cash Provided by Noncapital Financing Activities	267	266
Cash Flows from Capital and Related Financing Activities:		
Acquisition of Capital Assets	(38,882)	(27,785)
Principal Paid on Notes	-0-	-0-
Interest Paid on Notes	-0-	(15,156)
Net Cash Used by Capital and Related Financing Activities	(38,882)	(42,941)
Cash Flows from Investing Activities:		
Interest on Investments	-0-	250
Net Cash Provided by Investing Activities	-0-	250
Net Increase (decrease) in Cash and Cash Equivalents	\$ (140,749)	\$ (31,415)
Cash and Cash Equivalents - Beginning of Year		
Cash and Cash Equivalents - End of Year		

See accompanying notes to financial statements

Exhibit C
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

<u>Internet</u>	<u>2014</u>	<u>2013</u>
\$ 198,862	\$ 754,423	\$ 757,542
2,503	53,453	31,909
(51,156)	(417,441)	(360,930)
(60,711)	(334,645)	(325,201)
<u>(28,073)</u>	<u>(85,489)</u>	<u>(82,538)</u>
61,425	(29,699)	20,782
 267	 800	 300
 267	 800	 300
 (33,093)	 (99,760)	 (2,490)
 -0-	 -0-	 (35,000)
 -0-	 (15,156)	 (18,144)
 (33,093)	 (114,916)	 (55,634)
 23	 273	 737
 23	 273	 737
\$ <u>28,622</u>	(143,542)	(33,815)
	<u>179,034</u>	<u>212,849</u>
	\$ <u>35,492</u>	\$ <u>179,034</u>

See accompanying notes to financial statements

Exhibit C
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Statements of Cash Flows
- Proprietary Funds
For Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities:		
Operating Income	\$ (67,777)	\$ (16,909)
Adjustments to Reconcile Operating Income to		
Net Cash Provided by Operating Activities:		
Depreciation	35,614	31,778
(Increase) Decrease in Customer Accounts Receivable	5,791	(10,768)
(Increase) Decrease in Other Receivables	7,212	567
(Increase) Decrease in Inventories	296	(1,288)
(Increase) Decrease in Prepaid Expenses	(2,434)	(209)
Increase (Decrease) in Accounts Payable	68	9,257
Increase (Decrease) in Salaries Payable	676	1,207
Increase (Decrease) in Deferred Income	318	444
Increase (Decrease) in Other Payables	<u>(9,463)</u>	<u>6,703</u>
Net Cash Provided by Operating Activities	\$ <u>(29,699)</u>	\$ <u>20,782</u>
Reconciliation of Cash and Cash Equivalents at Year End		
To Specific Assets Included on the Statements of Net Position:		
Current Assets:		
Cash and Pooled Investments	\$ 28,160	\$ 172,502
Restricted Assets:		
Cash and Pooled Investments:		
Customer Deposits	<u>7,332</u>	<u>6,532</u>
Cash and Cash Equivalents, End of Year	\$ <u>35,492</u>	\$ <u>179,034</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies

Nature of Business

The mission of MMCTSU is to develop and implement a comprehensive communications system incorporating the elements of telephony, cable television, broadband communications and any other technologies approved by the Utility Board.

The Utility had its origin in the Manning Municipal Cable Board which was established in October 1981 by the Manning City Council. In January 1997 the Cable Board dissolved and transferred its assets, liabilities, records and operations to the newly formed Manning Municipal Communications and Television System Utility (MMCTSU).

Reporting Entity

MMCTSU is a component unit of the City of Manning, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board when determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Utility to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Utility. The Utility is governed by a five-member board of trustees appointed by the City Council. MMCTSU itself has no component units which meet the Governmental Accounting Standards Board criteria.

The financial statements include only those funds of MMCTSU and are not intended to present all funds of the City of Manning, Iowa.

Jointly Governed Organizations

The Utility participates in several jointly governed organizations that provide goods or services to the customers of the Utility. Some Utility officials are members of the following boards: Manning Municipal Light Plant and the Manning Municipal Gas Department.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurements focus applied.

The Utility's financials statements are prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when the liability is incurred.

Measurement Focus and Basis of Accounting (Continued)

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing the delivering goods in connection with an Enterprise fund's principal ongoing operations. The principal operating revenues of the Communication Utility include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Basis of Presentation

The Statement of Net Position presents the Communication Utility's assets and liabilities, with the difference reported as fund net position. Net position is reported in three categories.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets. MMCTSU'S outstanding debt attributable to capital assets exceeds the net investment in capital assets. Therefore, the investment in capital assets is shown at zero until such time that net capital assets exceeds related debt.

Restricted Net Position result when constraints placed on net position use are externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position consists of fund net position not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

Budgets and Budgetary Accounting

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget on the cash basis. The budget of the Utility is submitted to the City of Manning for approval in the City's budget process. The budgetary comparison and related disclosures are reported as Other Information. During the year ended December 31, 2014, disbursements did not exceed amounts budgeted.

Cash and Cash Equivalents

Cash consists of money in checking and savings accounts. For purposes of the Statement of Cash Flows, the Utility considers all deposits to be cash equivalents.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Customers

Accounts receivable are recorded at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided. The allowance for doubtful accounts is \$3,053 for 2014 and 2013.

The cable TV, phone, internet and TIVO bills are all generated by an outside billing company. The bills are sent out approximately on the 15th of each month and cover the long distance phone calls for the previous month and the cable TV, internet, tivo and local phone service for the next month. The customers have 20 days to pay their bills before a 1.5% penalty of the total bill gets added to their accounts. Delinquent customers have a 10 day grace period before disconnection occurs. The reconnection fee is \$25.

Accounts Receivable - Carrier Access Fees

Carrier access fees are fees due from various phone companies when MMCTSU's customers select another phone company for their long distance phone services. As of December 31, 2014 and 2013, no allowance for doubtful accounts for CABS was presented as all accounts were deemed collectible.

Various phone companies are billed by an outside billing Company on behalf of MMCTSU for long distance usage.

Inventory

Material and supplies are stated at average cost on a per item basis.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets include property, plant and equipment and are stated at cost. Depreciation is computed using straight line methods applied to the estimated useful lives of the various assets. Depreciation is computed over the following useful lives:

Land, Buildings, Improvements, Towers and Antennas	25-40 years
Earth Station, Electronics and Service Drops	10-15 years
Converters and Remotes	10 years
Traps and Other Equipment	5-15 years
Internet Equipment	5-10 years
Telephony Equipment	5-10 years

Capital asset activity for the year ended December 31, 2014 is summarized as follows:

	Balance Beginning of Year	Increase	Decrease	Balance End of Year
Capital Assets	\$ 1,152,115	\$ 99,760	\$ -0-	\$ 1,251,875
Accumulated Depreciation	1,048,669	35,614	-0-	1,084,283
Net Capital Assets	\$ 103,446	\$ 64,146	\$ -0-	\$ 167,592
Depreciation Charged				\$ 35,614

Expenditures for maintenance, repairs and minor replacements are charged to operations. Expenditures for major repairs and betterments that materially extend the life of an asset are capitalized.

The cost and related accumulated depreciation on capital assets sold or retired are eliminated from the accounts at the time of disposal and the resulting gain or loss is reflected in other revenue (expense).

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 1 Summary of Significant Accounting Policies (Continued)

Customer Deposits

Customer deposits are collected from new customers before service commences. Any customer that cannot provide a credit letter from a previous utility is charged a \$50 deposit. Customers in good standing receive a full refund of their deposit after six months of service.

Operating Revenues

Cable TV revenues are based on billing rates for subscriber fees to cable television. These subscriber fees are normally collected one month in advance.

Internet fees are billed to customers by MMCTSU one month in advance. As of January 1, 2008, Templeton Telephone Co. and Iowa Network Services provide dial up internet access and related services to MMCTSU. High speed internet access is provided by MMCTSU.

Local access telephone fees are billed one month in advance whereas long distance toll services are billed out after the calls occur. Carrier access fees are also billed to the various Long Distance Carriers for their line access charges after the charges are incurred.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that offset certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 2 Deposits

The Utility's deposits at December 31, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Utility is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utility's cash at December 31, 2014 is as follows:

Restricted - Customer Deposits	\$	7,332
Unrestricted		28,160
	\$	<u>35,492</u>

Note 3 Related Party Transactions

Joint Use Agreement

On July 25, 2001, the Manning Municipal Light Plant and MMCTSU entered into a joint agreement regarding a communications distribution system. The communications distribution system is and shall remain the sole property of the Electric Utility. However, the Communications Utility has been granted the right to use the distribution system, the headend building, and the Municipal building for its functions for a term of 25 years. The Communication Utility is required to pay \$170,849 every year for 25 years. The first payment was made on June 30, 2002. During the year ended December 31, 2008, the Utility requested a received a one-year moratorium on the annual lease payment of \$170,849.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 3 Related Party Transactions (Continued)

Other

The Utility had no business transactions between the Utility and Utility officials during the years ended December 31, 2014 and 2013, respectively.

MMCTSU rents office space from the City of Manning. Total rent paid to the City of Manning for 2014 and 2013 was \$6,000 per year.

Note 4 Related Party – Notes Payable

	<u>2014</u>	<u>2013</u>
Note Payable to Manning Municipal Light Plant in the original amount of \$500,000 to be used for the broadband communications system. The interest rate is adjusted annually on July 15th of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2014 and 2013 were 1.50%. The Communication's net revenues are pledged to pay off amounts due as allowable.	\$235,000	235,000
Note Payable to Manning Municipal Gas Department in the amount of \$500,000 to be used for the broadband communications system. The interest rate shall be adjusted annually on July 15 th of each year to an amount which is equal to 1% more than a one year certificate of deposit at Templeton Savings Bank. The interest rates on July 15, 2014 and 2013 were 1.50%. The Communication's net revenues are pledged to pay off amounts due as allowable.	\$500,000	\$500,000
Total	<u>\$735,000</u>	<u>\$770,000</u>

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 4 Related Party – Notes Payable (Continued)

These notes payable to Manning Municipal Light Plant and Manning Municipal Gas Department do not have a specific payoff schedule. Payments made depend upon the net revenues of the Communication Utility. In 2004, the Manning Municipal Light Plant forgave \$200,000 of its note to the Communication Utility.

Note 5 Contract Commitments

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for video signal. TTC obtains a cable television signal from MMCTSU for transmission via TTC's Cable Television System subject to certain terms and conditions such as 3.5 cents per sub per station.

On July 30, 2004, MMCTSU signed an agreement with Templeton Telephone Company (TTC) for switching services. TTC is a local telecommunications carrier with a particular expertise in the provision of certain switching functions and feature applications for the transmission, reception, monitoring, and routing of telecommunications traffic.

Iowa Network Services, Inc. (INS) offers a switching and transport agreement to MMCTSU for both originating and terminating traffic, which virtually extends the MMCTSU's network from the point where it interconnects with the INS network to the meet point of the Commercial Mobile Radio Service (CMRS) provider. This enables MMCTSU to originate traffic to and receive wireless traffic from any CMRS provider. This agreement shall have an initial term of two years. It shall thereafter remain in full force and effect for successive terms of two years each, subject to the right of either party to give the other party written notice of its intent to terminate the agreement not less than 120 days prior to the expiration of the then current term.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 5 Contract Commitments (Continued)

An agreement for Internet Service was entered into and made effective December 15, 2007 between Templeton Telephone Company (TTC) and Manning Municipal Communications and Television Service Utility (MMCTSU). TTC's network is connected to Iowa Network Service Utility (INS) network at a point of presence located at Templeton, Iowa. TTC agrees to lease to MMCTSU 35MB of bandwidth to transport internet traffic between MMCTSU's wireless network and the INS network. The agreement shall continue in full force for a term of three years from the date the leased bandwidth is first provided and shall automatically renew for additional one year terms unless terminated by either party giving written notice at least ninety (90) days prior to the expiration. The monthly rate to be paid to TTC for the bandwidth is \$2,843.

In connection with the Internet Service Agreement with TTC, MMCTSU also needed to enter into a Virtual ISP Internet Services Reseller Agreement with Iowa Network Services, Inc. (INS). This would allow MMCTSU to resell INS' wholesale internet access service to current and prospective MMCTSU subscribers. MMCTSU will pay INS a set fee per customer (currently \$7.50 per month) and then MMCTSU can resell the wholesale accounts to their retail customers at whatever fee they shall choose. This contract began on December 15, 2007 and has continued on a month-to-month basis since then.

Note 6 Pension and Retirement Benefits

The Utility contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

For the year ended December 31, 2014, IPERS contribution rates were 5.95% for members and 8.93% for employers. Contribution requirements are established by state statute. The Utility's contribution to IPERS for the years ended December 31, 2014 and 2013 were \$7,634 and \$7,263, respectively, equal to the required annual contributions.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 7 Other Postemployment Benefits (OPEB)

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 2 active and -0- retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retirees benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums of the Utility and plan members are \$756 for family coverage and \$292 for single coverage. The same monthly premiums would apply to retirees if there were any retired participants. For the year ended December 31, 2014, the Utility contributed \$9,978 and plan member eligible for benefits contributed \$1,109, 90 percent and 10 percent, respectively.

Note 8 Compensated Absences

As of January 1, 2005, MMCTSU adopted a new paid time-off (PTO) policy for eligible employees to use for vacation, illness and personal business. It combined traditional vacation and sick leave plans into one flexible, paid time-off policy. Under the new PTO policy, MMCTSU's liability is limited to 240 hours which is the maximum number of hours that can be accrued and paid out upon termination. After an employee accumulates 240 hours, the remaining hours roll into a Long Term Bank (LTB). The LTB hours are not paid out upon termination and are capped at 960 hours.

The PTO is paid at the employee's base rate of pay at the time of absence. In the event that available PTO is not used by the end of the benefit year, employees may carry up to 240 hours to the next benefit year. The hours in the LTB can only be used for family or personal illness and all regular PTO hours must be used before using LTB hours.

The accumulated liability for PTO totaled \$4,722 and \$4,281 as of December 31, 2014 and 2013, respectively.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Notes to Financial Statements December 31, 2014

Note 9 Risk Management

MMCTSU is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Utility assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 10 Deficit Balances

MMCTSU had fund deficits of \$555,020 and 476,491 for the years ended December 31, 2014 and 2013, respectively.

Note 11 Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending December 31, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

OTHER INFORMATION

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Position – Budget and Actual (Cash Basis)
- Proprietary Funds
For the Year Ended December 31, 2014**

	<u>Accrual Basis</u>	<u>Accrual Adjustment</u>	<u>Cash Basis</u>
Receipts			
Charges for Services	\$ 748,314	\$ 6,109	\$ 754,423
Non-operating	<u>46,514</u>	<u>8,012</u>	<u>54,526</u>
Total Receipts	794,828	14,121	808,949
Expenditures			
Cost of Services	420,898	(3,457)	417,441
Operating Expenses	441,434	(21,300)	420,134
Non-operating	<u>11,025</u>	<u>103,891</u>	<u>114,916</u>
Total Expenditures	<u>873,357</u>	<u>79,134</u>	<u>952,491</u>
Net Change	(78,529)	\$ <u>(65,013)</u>	\$ <u>(143,542)</u>
Net Position (Deficit) at Beginning of Year	<u>(476,491)</u>		
Net Position (Deficit) at End of Year	\$ <u>(555,020)</u>		

See accompanying independent auditor's report

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Budgetary Comparison Schedule of Revenues, Expenses and
Changes in Fund Net Assets – Budget and Actual (Cash Basis)
Proprietary Funds
For the Year Ended December 31, 2014**

<u>Original and Final Budget</u>	<u>Final to Actual Variance</u>
\$ 779,580	\$ (25,157)
35,397	19,129
<u>814,977</u>	<u>(6,028)</u>
499,180	81,739
447,294	27,160
76,000	(38,916)
<u>1,022,474</u>	<u>69,983</u>
\$ <u>(207,497)</u>	\$ <u>63,955</u>

See accompanying independent auditor's report

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Notes to Required Supplementary Information
Budgetary Reporting
For the Year Ended December 31, 2014**

The budgetary comparison is presented as in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, MMCTSU annually adopts a budget, which is submitted to the City for approval in the City's budget process. The annual budget may be amended during the year utilizing statutorily prescribed procedures. All MMCTSU's disbursements are included in business-type activities function.

During the year ended December 31, 2014, disbursements did not exceed the amounts budgeted in the business type activities functions.

SUPPLEMENTARY INFORMATION

Schedule 1**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY****Schedule of Operating Expenses
For Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Operating Expenses		
Accounting	\$ 7,367	\$ 7,194
Advertising	245	158
Cable Modems	1,260	-0-
Computer expense	1,114	3,936
Depreciation	35,614	31,778
Dues and Subscriptions	3,912	4,432
Employee Insurance	11,250	13,244
Headhouse – Maintenance	869	11,760
Insurance	15,046	14,115
Legal Publication	1,130	997
Legal and Professional Services	12,325	11,903
Miscellaneous	6,897	8,612
Payroll Taxes & Retirement	14,002	13,399
Postage	4,303	4,203
Property Taxes	1,741	3,070
Rent - Distribution System	170,849	170,849
Rent - Office Space	6,000	6,000
Seminars and Meetings	205	62
Small Tools	190	182
Software Maintenance	11,561	11,247
Supplies - General	26,939	18,189
Telephone	2,770	4,793
Tower maintenance	-0-	4,116
Trustee Fees	2,695	2,995
Uniforms	148	190
Utilities	12,935	11,216
Vehicle Expense	2,312	3,794
Wages	86,165	83,745
Wireless Internet Expense	1,590	1,039
Total Operating Expenses	\$ <u>441,434</u>	\$ <u>447,218</u>

See accompanying independent auditor's report

Schedule 2

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of Capital Assets and Accumulated Depreciation
For Years Ended December 31, 2014 and 2013**

	Capital Assets			December 31, 2014
	December 31, 2013	Additions	Retirements	
Headhouse				
Building	\$ 8,825	\$ 820	\$ -0-	\$ 9,645
Electronics & Equipment	53,147	-0-	-0-	53,147
	<u>61,972</u>	<u>820</u>	<u>-0-</u>	<u>62,792</u>
Distribution				
Service Drops	25,219	-0-	-0-	25,219
Converters & Remotes	15,196	-0-	-0-	15,196
Traps	12,263	-0-	-0-	12,263
	<u>52,678</u>	<u>-0-</u>	<u>-0-</u>	<u>52,678</u>
General				
Office furniture	6,173	-0-	-0-	6,173
Vehicles	14,552	-0-	-0-	14,552
Equipment	15,878	36,565	-0-	52,443
Internet	14,234	1,497	-0-	15,731
	<u>50,837</u>	<u>38,062</u>	<u>-0-</u>	<u>88,899</u>
Internet				
Equipment	121,865	32,274	-0-	154,139
Building	8,684	819	-0-	9,503
Vehicles	14,131	-0-	-0-	14,131
	<u>144,680</u>	<u>33,093</u>	<u>-0-</u>	<u>177,773</u>
Telephony				
Building	8,684	819	-0-	9,503
Vehicles	14,130	-0-	-0-	14,130
Equipment	806,471	820	-0-	807,291
Electronics	12,663	26,146	-0-	38,809
	<u>841,948</u>	<u>27,785</u>	<u>-0-</u>	<u>869,733</u>
Totals	\$ <u>1,152,115</u>	\$ <u>99,760</u>	\$ <u>-0-</u>	\$ <u>1,251,875</u>

Schedule 2
(Continued)

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of Capital Assts and Accumulated Depreciation
For Years Ended December 31, 2014 and 2013**

Useful Lives	Accumulated Depreciation			December 31, 2014
	December 31, 2013	Current Provision	Retirements	
40 years	\$ 2,008	\$ 288	\$ -0-	\$ 2,296
10-15 years	50,077	2,071	-0-	52,148
	<u>52,085</u>	<u>2,359</u>	<u>-0-</u>	<u>54,444</u>
15 years	19,913	1,384	-0-	21,297
10 years	9,560	1,253	-0-	10,813
5 years	12,262	-0-	-0-	12,262
	<u>41,735</u>	<u>2,637</u>	<u>-0-</u>	<u>44,372</u>
5-10 years	6,010	162	-0-	6,172
5 years	7,753	1,893	-0-	9,646
5-15 years	14,444	3,275	-0-	17,719
5-10 years	13,404	441	-0-	13,845
	<u>41,611</u>	<u>5,771</u>	<u>-0-</u>	<u>47,382</u>
5-10 years	97,854	10,019	-0-	107,873
39 years	1,976	284	-0-	2,260
5 years	7,333	1,893	-0-	9,226
	<u>107,163</u>	<u>12,196</u>	<u>-0-</u>	<u>119,359</u>
39 years	1,976	284	-0-	2,260
5 years	7,333	1,893	-0-	9,226
5-10 years	785,068	7,890	-0-	792,958
7 years	11,698	2,584	-0-	14,282
	<u>806,075</u>	<u>12,651</u>	<u>-0-</u>	<u>818,726</u>
	<u>\$ 1,048,669</u>	<u>\$ 35,614</u>	<u>\$ -0-</u>	<u>\$ 1,084,283</u>

See accompanying independent auditor's report

**Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Prepared in Accordance with
*Government Auditing Standards***

MUXFELDT ASSOCIATES, CPA, P.C.

Certified Public Accountant

Lonnie G. Muxfeldt

Certified Public
Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

305 W. High Street
P.O. Box 609
Avoca, IA 51521-0609

Ph. (712) 343-2379
Fax (712) 343-5012

www.muxfeldt-cpa.com

firm@muxfeldt-cpa.com

Licensed In:

Iowa
Missouri

March 5, 2015

Independent Auditor's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Prepared in Accordance with
Government Auditing Standards

To the Board of Trustees of the
Manning Municipal Communications
and Television System Utility

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Manning Municipal Communications and Television System Utility, as of and for the year ended December 31, 2014, and the related notes to financial statements, which collectively comprise the Utility's basic financial statements, and have issued my report thereon dated March 5, 2015. My report expressed an unmodified opinion on the financial statements which were prepared in conformity with U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Manning Municipal Communications and Television System Utility's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Manning Municipal Communications and Television System Utility's internal control. Accordingly, I do not express an opinion on the effectiveness of the Manning Municipal Communications and Television System Utility's internal control.

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility
March 5, 2015
Page Two

My consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, I identified a deficiency in internal control I consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Manning Municipal Communications and Television System Utility's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiency described in the accompanying Schedule of Findings as item I-A to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Manning Municipal Communications and Television System Utility's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees of the
Manning Municipal Communications
And Television System Utility
March 5, 2015
Page Three

Comments involving statutory and other legal matters about the Utility's operations for the year ended December 31, 2014, are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Utility. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

MMCTSU's Responses to Findings

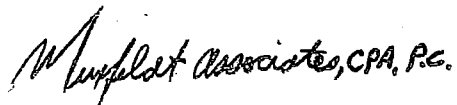
Manning Municipal Communications and Television System Utility's written responses to findings identified in my audit are described in the accompanying Schedule of Findings. MMCTSU's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Utility's internal control or on compliance.

This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the Manning Municipal Communications and Television System Utility during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 Murphy & Associates, CPA, P.C.

**MANNING MUNICIPAL COMMUNICATIONS
AND TELEVISION SYSTEM UTILITY**

**Schedule of Findings
Year Ended December 31, 2014**

Part I Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Currently, one employee has custody of receipts and performs all record-keeping pertaining to receipts for the Utility, including reconciliations and maintaining the accounts receivable records.

Recommendation - I realize that a segregation of duties is impossible with only one office employee. Operating procedures should be monitored by management and the board of trustees to obtain the maximum internal control possible under the circumstances.

Response - Due to the limited number of staff available to perform these duties, options available are limited. However, we will continue to monitor procedures to compensate for this weakness in internal control over financial reporting.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

MANNING MUNICIPAL COMMUNICATIONS AND TELEVISION SYSTEM UTILITY

Schedule of Findings Year Ended December 31, 2014

Part II Other Findings Related to Required Statutory Reporting:

- 1) Certified Budget - The Utility's budget is filed as part of the City of Manning's budget. The disbursements during the year ended December 31, 2014 did not exceed amounts budgeted by the Manning Municipal Communications and Television System Utility.
- 2) Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purposes as defined in an Attorney General's opinion dated April 25, 1979.
- 3) Business Transactions - There were no business transactions between the Utility and Utility officials.
- 4) Bond Coverage - Surety bond coverage of Utility officials and employees is in accordance with the minimum statutory provisions required. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 5) Board Minutes - Transactions were found that I believe should have been approved in the Board minutes but were not.
- 6) Deposits and Investments - I noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utility's investment policy.
- 7) Telecommunication Services - No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.
- 8) Financial Condition - The Utility had a fund deficit of \$555,020 at December 31, 2014.

Recommendation - The Utility should investigate alternatives to eliminate this deficit in order to return the Utility to a sound financial position.

Response - Under consideration are various measures to lower costs and reduce the deficit.

Conclusion - Response accepted.

NEWS RELEASE

MANNING MUNICIPAL COMMUNICATION AND TELEVISION SYSTEM UTILITY

MANNING, IOWA 51455

Muxfeldt Associates, CPA, P.C. of Harlan, Iowa today released an audit report on the Manning Municipal Communication and Television System Utility for the year ended December 31, 2014.

Muxfeldt Associates, CPA, P.C, reported that the Utility's revenue totaled \$794,828 for the year ended December 31, 2014, a 0.6 percent decrease from 2013. The revenues included \$310,261 in cable TV revenue, \$241,256 in telephone revenue, \$196,797 in internet revenue, \$46,241 in other revenue, and \$273 in interest income.

Expenses for the year totaled \$873,357, a 5 percent increase from 2013. The expenses included \$420,898 for production, \$228,971 for administration and general expenses, \$176,849 for rent, \$35,614 for depreciation and \$11,025 for interest expense.

A copy of the audit report is available for review in the office of the Manning Municipal Communication and Television System Utility, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports.htm>.

